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Business activity this fall continues at a relatively high rate. But signs of moderation in expansion of demand are appearing. The increase in personal income slowed materially in September. And the unemployment rate rose to its highest level in 2 years. Retail sales continue sluggish with little change since last spring, and building activity continues to decline. Despite these signs of an easing in demand pressures, retail prices continue to advance for most goods and services.

The Consumer Price Index rose 0.5 percent in September. However, food at grocery stores averaged the same as in August. Lower prices for fruits and vegetables offset small increases for many other foods. Meat prices averaged 1 percent above the previous month; beef prices eased slightly, but pork prices rose. Food prices usually drop seasonally in September. The price decline for fruits and vegetables was less than seasonal.

Wholesale prices for farm products dropped 0.5 percent in September. With seasonally large supplies, further declines are expected. Thus, food prices at retail likely will continue relatively stable through the fall.

Expansion in cattle feeding continues. Numbers of cattle in feedlots have increased sharply this year. As of October 1 for 22 States, 10 percent more cattle and calves were on feed than a year ago, with western feedlots showing most of the growth.

Twelve percent more cattle will be marketed from feedlots in the fourth quarter than in the like period last year, according to feeders' plans. This would mean little or no slackening in marketings from the levels of this past summer.

Into winter, fed cattle marketings may remain above last year's rates: on October 1 there were sharp increases in numbers of cattle on feed in weight groups

that usually account for the bulk of January-March marketings.

Despite the substantial growth in feedlot activity this year, fed cattle prices have averaged well above 1968 prices. Much of the advance in fed beef output has been canceled out by sharp declines in production of beef from other cattle. And market weights of fed cattle have remained close to a year ago. Also, total red meat supplies this fall may be less than last year because of less pork, veal, and lamb being produced. However, broiler output is up sharply.

Fed cattle prices this fall, like marketings, are likely to remain near September levels, and average a little above last fall's prices.

Hog slaughter will rise less than the usual 15-25 percent gain from summer to fall and is expected to run substantially below October-December 1968. On September 1, Corn Belt producers reported about 7 percent fewer pigs on farms in weight groups that usually provide the bulk of fall slaughter supplies.

A less than seasonal decline in hog prices is expected as slaughter increases this fall, and as supplies of beef and broilers exceed year-earlier levels. But hog prices will average considerably higher than the October-December 1968 average of \$18.30 (barrows and gilts at 8 markets). Prices rose to a weekly peak of \$27.40 per 100 pounds in mid-August 1969. In September, they averaged \$26, up \$6 from a year earlier.

Soybean supplies in 1969/70 will be up for the sixth consecutive year to an estimated 1.4 billion bushels, 12 percent more than last year. Use may exceed a billion bushels for the first time, reflecting a growing domestic and foreign demand, record supplies, and prospects for lower average prices.

The 1969 soybean crop, estimated at

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1,070 million bushels on October 1, almost equals last year's record of 1,080 million. Acreage for harvest is up more than 2 percent, but yields are a little lower.

Carryover stocks on September 1 were 322 million bushels, up 156 million from 1968.

The rice supply for 1969/70 is nearly as large as last season. A sharply increased carryover largely offsets the decline in 1969 output. With prospects for a further decline in exports and little change in domestic use, the carryover may rise again next summer, but less than in the 1968/69 marketing year. The prospective demand-supply imbalance suggests that prices will stay close to the price support loan of \$4.72 per hundredweight.

The supply, based on October estimates, will total 106 million hundredweight, compared with last year's record of 112 million (rough rice equivalent). Exports of 56 million hundredweight in 1968/69, while only slightly below the record of a year earlier, represented a halt to a strong uptrend for each year since 1961. Domestic use increased, but not nearly as much as production, which was record large in 1968. As a result, carryover stocks at the beginning of the current year, which began last August, totaled 17 million hundredweight, up sharply from 6.8 million on August 1, 1968.

The output estimate this year, at nearly 90 million hundredweight, is down 15 million from the 1968 record.

U.S. cotton disappearance during 1969/70, although below earlier expectations, is expected to exceed the 1969 crop. A recent steep decline in yield has dropped prospective production slight-

ly below last year's crop. As a result the carryover next August may slip about $\frac{1}{2}$ million bales from the 6.5 million last August.

The 1969 crop as of October 1 is estimated at $10\frac{1}{2}$ million bales, 4 percent below last year's crop. A 13-percent drop in the indicated yield more than offsets a 10-percent hike in acreage. Adverse weather, boll rot, and insect damage have plagued most of the Cotton Belt. A freeze in the Texas Plains in October may have caused further damage.

Mill use and exports may total around last season's 11 million bales. Mill use may about match the $8\frac{1}{4}$ million bales consumed last year, and exports likely will continue small.

Domestic use prospects reflect reduced military purchases of cotton, increased textile imports, and continuing inroads by man-made fibers. Nevertheless, mill use in September rose about 5 percent from August (seasonally adjusted) to nearly equal the year-earlier rate. Ratios of stocks to unfilled orders favor mill activity. And fabric prices, as well as mill margins, are above a year ago.

Exports may continue depressed despite prospects for a greater increase in foreign Free-World consumption than in production. Other exporting countries probably will account for most of the increase in trade because several of them have relatively large carryover stocks.

Shorn wool prices received by U.S. growers in 1970 likely will average a shade below 1969. Although the domestic clip will be smaller, competition from man-made fibers will likely increase and a record world wool clip is in prospect.